

25X1A

OGC Has Reviewed

SECRET
SECURITY INFORMATION

Item from the Daily Log - 20 October 1952

25X1A

25X1A [REDACTED] brought up an aspect of a contract now being negotiated with
25X1A [REDACTED] which presents a problem of major proportions. The
25X1A contract calls for [REDACTED] to produce at and ship from the [REDACTED]
25X1A [REDACTED] Their own workmen and property
are adequately insured; however, they state that they are unable to ob-
tain adequate insurance against possible damage to the third parties, and,
in accordance with the practice followed by ordnance, they requested that
we indemnify them for all damage arising out of performance of the con-
tract. We feel that if the work is to be done an indemnity agreement is
25X1A necessary, although we believe the ordnance standard provisions are far
too broad and we will not agree to such terms. Even if our terms are
satisfactory to [REDACTED] we are faced with a contingent liability of
unforeseeable proportions. Conceivably a truck load of the material could
explode in such a manner as to cost many lives and tremendous property
damage. The liability in such case would be huge. It is impossible
to budget against the contingency and we might be faced with an obli-
gation in excess of appropriations. We are asking for guidance from the
Comptroller General on the hypothetical question.

25X1A

LAWRENCE R. HOUSTON

SECRET
SECURITY INFORMATION